

PERAC

COMMONWEALTH OF MASSACHUSETTS | PUBLIC EMPLOYEE RETIREMENT ADMINISTRATION COMMISSION

JOSEPH E. CONNARTON, *Executive Director*

Auditor SUZANNE M. BUMP | PHILIP Y. BROWN, ESQ. | JOHN B. LANGAN | JAMES M. MACHADO | DONALD R. MARQUIS | ROBERT B. MCCARTHY

MEMORANDUM

TO: Worcester Regional Retirement Board

FROM: Joseph E. Connarton, Executive Director

RE: Approval of Funding Schedule

DATE: December 4, 2014

This Commission is hereby furnishing you with approval of the revised funding schedule you recently adopted (copy enclosed). The schedule assumes payments are made on July 1 and January 1 of each fiscal year. The schedule uses a phase-in approach in which the total appropriation increases 8.0% each year until FY23. The schedule is effective in FY15 (since the amount under the prior schedule was maintained in FY15) and is acceptable under Chapter 32.

We continue to have concerns about the salary increase assumption. The same assumption was also used in the prior two valuations. We expect that over the long term this assumption will need to be increased (or the investment return assumption lowered) which will increase plan liabilities. The salary increase assumption should be carefully reviewed as part of the next actuarial valuation.

On a positive note, the System reduced the amortization period for unfunded liability period to FY35 and added other conservative assumptions. In the past year, we have recommended that systems reduce the amortization period to no later than FY35 to provide flexibility in the event of a market downturn.

If you have any questions, please contact PERAC's Actuary, Jim Lamenzo, at (617) 666-4446, extension 921.

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SECTION 3 - CHAPTER 32 OF M.G.L. APPROPRIATIONS

Exhibit 3.2 - 30-Year Forecast of Annual Appropriations

Fiscal Year	Employer	Amortization Payment of	Amortization Payment of	Amortization Payment of	Amortization Payment of	Total Employer	Increase over	Unfunded Actuarial
Ending	Normal Cost	UAL	ERI 2002	ERI 2003	ERI 2010	Cost	Prior Year	Accrued Liability
2015	\$9,315,146	\$29,367,569	\$1,210,184	\$237,271	\$5,810	\$40,135,980		\$599,423,432
2016	9,293,515	32,534,944	1,264,642	247,948	5,810	43,346,859	8.00%	615,951,915
2017	9,258,062	35,970,079	1,321,551	259,106	5,810	46,814,608	8.00%	630,506,760
2018	9,207,714	39,694,466	1,381,020	270,766	5,810	50,559,776	8.00%	642,654,073
2019	9,141,340	43,731,291	1,443,167	282,950	5,810	54,604,558	8.00%	651,903,206
2020	9,057,738	48,105,582	1,508,109	295,683	5,810	58,972,922	8.00%	657,700,473
2021	8,955,634	52,844,348	1,575,975	308,988	5,810	63,690,755	8.00%	659,422,229
2022	8,833,684	57,976,739	1,646,893	322,893	5,810	68,786,019	8.00%	656,367,242
2023	8,690,461	63,540,011	1,721,003	337,423	-	74,288,898	8.00%	647,748,308
2024	8,524,460	67,124,026	1,798,447	352,607	-	77,799,540	4.73%	632,683,005
2025	8,334,087	69,808,987	1,879,378	368,475	-	80,390,927	3.33%	612,663,717
2026	8,117,658	72,601,347	1,963,950	385,056	-	83,068,011	3.33%	588,206,561
2027	7,873,393	75,505,401	2,052,327	402,383	-	85,833,504	3.33%	558,842,563
2028	7,599,414	78,525,617	2,144,683	420,490	-	88,690,204	3.33%	524,060,651
2029	7,293,732	81,666,642	-	-	-	88,960,374	0.30%	483,304,098
2030	7,515,148	84,933,307	-	-	-	92,448,455	3.92%	438,699,873
2031	7,745,422	88,330,639	-	-	-	96,076,061	3.92%	387,196,568
2032	7,984,906	91,863,865	-	-	-	99,848,771	3.93%	328,109,027
2033	8,233,971	95,538,419	-	-	-	103,772,390	3.93%	260,691,952
2034	8,492,997	99,359,957	-	-	-	107,852,954	3.93%	184,134,880
2035	8,762,384	103,334,354	-	-	-	112,096,738	3.93%	97,556,743
2036	9,042,548	-	-	-	-	9,042,548	-91.93%	-
2037	9,333,918	-	-	-	-	9,333,918	3.22%	-
2038	9,636,941	-	-	-	-	9,636,941	3.25%	-
2039	9,952,087	-	-	-	-	9,952,087	3.27%	-
2040	10,279,838	-	-	-	-	10,279,838	3.29%	-
2041	10,620,700	-	-	-	-	10,620,700	3.32%	-
2042	10,975,195	-	-	-	-	10,975,195	3.34%	-
2043	11,343,870	-	-	-	-	11,343,870	3.36%	-
2044	11,727,293	-	-	-	-	11,727,293	3.38%	-

Worcester Regional Retirement System
Actuarial Valuation as of January 1, 2014